

*SP-1726
Prop. Sec.*

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REPLY TO:
Audit Liaison Office
P. O. Box 8155
S. W. Station
Washington, D. C.

9 February 1966

SUBJECT: Report on Take-Off Fees
Lockheed Aircraft Corporation
(Lockheed-California Company)
Burbank, California
Contract Nos. SP-1923 and SP-1926
Period: 9 June 1964 to 26 December 1965

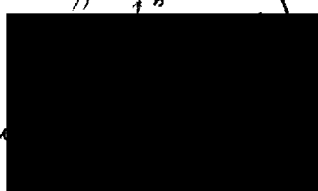
TO : Contracting Officer

1. During 9 June 1964 to 26 December 1965, the contractor included in its billings \$8,020 direct charges for 401 U-2 take-offs at \$20 each from the Van Nuys Airport.

2. The Airport Operating Agreement No. LAA-210, between the City of Los Angeles and Lockheed Aircraft Corporation, section III (a), provides for the following charges. For aircraft undergoing production, engineering and/or modification flight tests from the airport, a flight fee per serial number aircraft is determined in accordance with the following schedule.

<u>Aircraft Gross Weight</u>	<u>Fee</u>
Less than 20,000 pounds	\$10
20,001 to 30,000 pounds	\$15
30,001 to 40,000 pounds	\$20
40,001 to 55,000 pounds	\$25

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3. The auditor was informed by the contractor's representative that the maximum gross weight of the U-2 aircraft with a full load of fuel is approximately 23,000 pounds, and that the average gross weight of the U-2 aircraft at time of take-off is approximately 18,000 pounds.

4. Application of the take-off rates specified in the agreement, using the maximum gross weight of 23,000 pounds, indicates a minimum credit to the subject contracts of \$5.00 per take-off, or \$2,005. It is estimated by the auditor that an average credit of \$7.50 per take-off is probably more realistic. The auditor's computations by contracts fiscal years follow:

	<u>SP-1923</u>		<u>SP-1926</u>	
	<u>Cust.</u> <u>No. 1</u>	<u>Cust.</u> <u>No. 2</u>		
FY 1964 (9 June to 28 June 1964)	7			
FY 1965 (29 June 1964 to 27 June 1965)	92	94	76	
FY 1966 (28 June to 26 December 1965)	<u>75</u>	<u>-35</u>	<u>22</u>	
Total Take-Offs	<u>174</u>	<u>129</u>	<u>98</u>	<u>401</u>
Amts. invoiced by contractor @\$20	\$3,480	\$2,580	\$1,960	\$8,020
Maximum amounts payable per lease agreement @\$15	<u>2,610</u>	<u>1,935</u>	<u>1,470</u>	<u>6,015</u>
Minimum credit due customer	<u>\$ 870</u>	<u>\$ 645</u>	<u>\$ 490</u>	<u>\$2,005</u>
Auditor's estimated average amounts payable at \$12.50 per take-off (using an average between \$15 and \$10 per take-off)	<u>\$2,175</u>	<u>\$1,612</u>	<u>\$1,225</u>	<u>\$5,012</u>
Estimated credit due customer per auditor (see comment in paragraph 5 below)	<u>\$1,305</u>	<u>\$ 968</u>	<u>\$ 735</u>	<u>\$3,008</u>

5. This data has been discussed with the contractor's representative who is to furnish information re the weights at take-off for each aircraft so that an accurate accounting may be determined for charges in accordance with the agreement.

6. It is noted that the contractor inadvertently reimbursed the City of Los Angeles at \$20 per take-off for each U-2 take-off for the periods shown; and is entitled to a refund in accordance with the terms of the lease agreement.

SIGNED

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